

# NATIONAL ECONOMIC TRENDS

PREPARED BY FEDERAL RESERVE BANK OF ST. LOUIS

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The U.S. economy is demonstrating considerable resiliency despite some sectoral weaknesses. As is typical of most cyclical expansions in their advanced stages, the rate of price increase has accelerated and the growth of output has slowed. The rate of price increase has been particularly rapid in recent months, reflecting another sharp run-up in energy prices as well as expectational factors.

Production growth has been sluggish since late 1978, yet employment has continued to advance, implying poor productivity performance. Industrial production in February was up at a slight 0.7 percent annual rate from December 1978 compared with a 6.6 percent average rate of expansion in the previous two years. Payroll employment, however, rose at a relatively strong 2.5 percent annual rate from December 1978 to February 1980, but less than the average rate of advance in the 1976-78 period.

Although energy prices have been an important influence, the rise in prices since late 1979 has been spread broadly over all sectors except food. The accompanying table compares producer price movements over the past two months with the previous two years. Energy prices, of course, have risen sharply, but food prices have declined or increased relatively slowly. The jump in rates of increase for finished consumer goods other than food and energy, capital equipment, and intermediate materials other than food and energy indicates that the recent surge in prices has not been attributable to special factors impinging on supply and demand in one particular sector.

## PRODUCER PRICES

	Relative importance <u>Dec. 1979</u>	Annual rates of change*		
		<u>Dec. 1979</u> to <u>Feb. 1980</u>	<u>Dec. 1978</u> to <u>Dec. 1979</u>	<u>Dec. 1977</u> to <u>Dec. 1978</u>
Finished goods	100.0 %	19.9 %	12.6 %	9.2 %
Consumer goods	71.6	21.9	14.2	9.7
Foods	24.3	-7.5	7.5	12.1
Energy	10.3	99.3	62.7	7.9
Other	37.0	26.1	9.4	8.6
Capital equipment	28.4	15.0	8.8	8.1
Intermediate materials	100.0 %	31.4 %	15.9 %	8.6 %
Foods and feeds	5.1	16.9	8.3	14.0
Energy goods	13.6	71.8	42.5	4.2
Other	81.3	26.0	12.8	8.9

\* Computed from seasonally adjusted data.